

EXHIBIT 3

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Subject: [EXT] Puerto Rico - PREPA T&D Selection Now Targeted for December, Pushed Out From October (Americas Intelligence)

R Reorg Americas

Puerto Rico

PREPA T&D Selection Now Targeted for December, Pushed Out From October

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The commonwealth government has pushed the target date for the selection of a proponent to operate and maintain the Puerto Rico Electric Power Authority's transmission and distribution system into December, according to joint testimony delivered this morning by the heads of the Public-Private Partnerships Authority and Fiscal Agency and Financial Advisory Authority.

The testimony was delivered in connection with a House Economic Development, Planning, Telecommunications and Public-Private Partnerships and Energy Committee public hearing on an open measure, [House Res. 64](#), that calls for updates and evaluation of the status of PREPA privatization efforts.

"Qualified proponents have until early or mid-November to submit proposals. The authority anticipates that a determination in terms of the selected proponent could be undertaken during the month of December 2019," reads the written testimony submitted by P3 Authority Executive Director Fermín Fontanés and AAFAF Executive Director Omar Marrero.

Earlier this month, [PREPA Executive Director José Ortiz](#) said the T&D selection was still targeted for [October](#) but acknowledged it may be delayed by uncertainty over the amount of funding the federal government will approve to reconstruct the island's electric power system and the postponement of a court hearing on the 9019 motion seeking to approve the settlements embodied in the PREPA restructuring support agreement.

Echoing the written testimony, Fontanés told lawmakers that four [qualified entities](#) - Duke Energy Corp., PSEG Services Corp., a consortium composed of ATCO Ltd., IEM and Quanta Services Inc., and Exelon Corp. - remain in the T&D bidding process. Ortiz indicated in late July that [Exelon](#) had dropped out of the process.

"Until the process concludes we don't know how many proponents will submit," Fontanés said. "But we haven't received official word from any proponent that they have dropped out."

Fontanés and Marrero concurred that Ortiz's understanding could be based on his interpretation of the behavior of one of the proponents.

"As of today, four entities have the right to submit proposals. We'll see how many do so," Marrero said.

Marrero testified that the commonwealth has estimated an "optimal" \$17 billion is needed to overhaul the island's energy grid, adding that \$12 billion of that would go toward the T&D system. He stressed the importance of getting "reasonable certainty" regarding the amount of federal funding that will be coming in toward that \$17 billion goal, noting that PREPA and the commonwealth are in Title III bankruptcy and shut out of the capital markets. The AAFAF chief said federal funding is especially important for the T&D system,

including the prospect that the winning bidder could be required to invest in the system. He also noted that private capital is being eyed for generation upgrades.

Marrero told Reorg during a break in the hearing that the PREPA debt [restructuring support agreement](#) and “reasonable certainty” around federal funds are “key” in order for the proponents to define their proposals. “Those are levers that we need to define so that the proponents are in a position to submit their proposals with all the needed details,” Marrero said, adding that their willingness to invest in the T&D system would be reflected in their respective pitches.

Marrero pointed to Oct. 11 as a key date in the process as the deadline for formal cost estimates with the Federal Emergency Management Agency for funding under section 428 of the Stafford Act. “We expect to have a reasonable degree of certainty before that deadline. We don’t need the final number, we need a reasonable degree of certainty to provide to the proponents,” the AAFAF chief told Reorg.

Fontanés told Reorg that the December target date to select a T&D operator stems more from the “due diligence required by this type of process” rather than any uncertainty over federal funding levels.

Marrero told reporters at the Capitol during a brief press conference that the T&D project is still in the bid stage and not in negotiations, adding that the proponents are evaluating available information to submit their proposals.

The AAFAF chief said that “to conclude the T&D concession we have to finish PREPA’s restructuring,” adding that the commonwealth is working closely with the PROMESA oversight board to seal a restructuring deal “before the T&D award.”

The hearing included updates on other PREPA P3 projects being pursued under Act 120 of 2018 including:

- Development of 450 megawatts of new [peaking power](#) generation units. Selection is targeted for late in the third quarter of 2019;
- Renovation of 16 [hydroelectric units](#) at nine facilities across the island. Selection is targeted for late in the third quarter of 2019;
- Generation capacity at PREPA’s [Palo Seco plant](#). Sept. 6 is the deadline for RFQ responses and the P3 Authority said in a posting this week it expects to issue a request for proposals “sometime” during the fourth quarter of 2019; and
- A \$300 million utility-scale [energy storage](#) project that went out to an RFP process last May. The bidders are Tesla Inc., AES Puerto Rico LP/Fluence Energy LP, PowerSecure Inc. and Invenergy Storage Development LLC. Selection was slated for late June 2019 but “has been delayed due to delays in the process of acquiring federal funds,” according to the the P3 Authority/AAFAF testimony.

Brief testimony was also submitted by Ortiz, who is on an official trip stateside and said the P3 Authority is heading the PREPA privatization process as established in Act 120. Similar testimony was delivered by Ottmar Chávez, head of the Central Office of Recovery, Reconstruction and Resiliency, or COR3, a unit of the P3 Authority created to promote transparency and efficiency in the handling of federal recovery funds.

Meanwhile, the Puerto Rico Senate on Thursday approved a measure, [Senate Resolution 1072](#), which directs the Senate Special Committee on Energy Affairs to deliver a report on the status of implementation of [Act 120 of 2018](#), which is the PREPA privatization law, and Act 17 of 2019, which established the island’s energy policy and regulatory framework. The committee would have 180 days to submit the report.

[Act 17](#) establishes that by Dec. 31, 2019, “or the closest date thereto,” the P3 Authority shall execute one or various partnership contracts “through which it shall transfer the transmission and distribution functions, the sale of electric power, the operation of the Energy Control Center, and all those activities related to such functions,” adding that none of the provisions shall prevent the transfer of the different functions from being carried out separately and on different dates. The law further establishes that the P3 Authority “shall transfer the operating, administrative, and/or maintenance functions in connection with the Authority’s legacy power generation assets on or before December 31, 2020.”

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